PACENation

Our mission is to promote Property Assessed Clean Energy financing by providing leadership, support, problem solving, data and networking opportunities for a growing universe of PACE market participants.

Our work includes:

- Market research
- Policy and market development
- Informational resources for members
- National PACE events

PACENation.org

R-PACE Potential in Virginia

PACENation
Building the clean energy economy

For every 1% of Virginia homeowners that use R-PACE to upgrade their homes, total investment would reach **$673M** on **28,000** properties.

This level of investment would generate substantial positive impacts over the lifetime of these projects:

- **722,000** metric tons CO2e avoided
- **11,800** job-years created
- **$1.4 billion** total economic impact
- **2.3 million** megawatt-hours energy saved

Based on multipliers found in "Impacts of the Property Assessed Clean Energy (PACE) Program on the Economies of California and Florida," 2019, USC Sol Price School of Public Policy's Schwarzenegger Institute, and an average project size of $24,000.

R-PACE Potential in Virginia

PACENation
Building the clean energy economy

If 15% of Virginia homeowners used R-PACE to upgrade their homes, total investment would reach **$10 billion** on **421,000** properties.

This level of investment would generate substantial positive impacts over the lifetime of these projects:

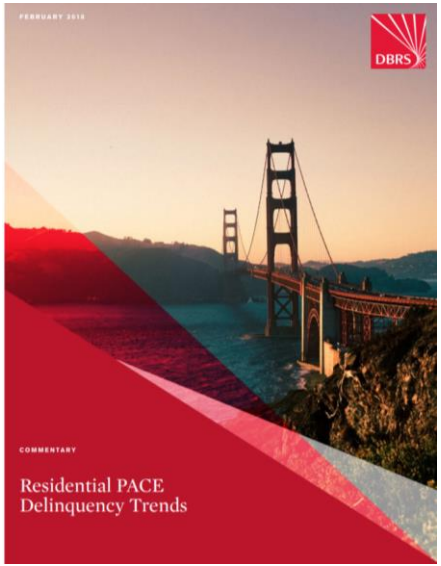
- **10.8 million** metric tons CO2e avoided
- **177,000** job-years created
- **$21.2 billion** total economic impact
- **35.5 million** megawatt-hours energy saved

Based on multipliers found in "Impacts of the Property Assessed Clean Energy (PACE) Program on the Economies of California and Florida," 2019, USC Sol Price School of Public Policy's Schwarzenegger Institute, and an average project size of $24,000.

R-PACE Performance

A 2018 DBRS analysis of R-PACE delinquency trends concluded:

- "While PACE is a relatively new asset class, there is sufficient data to analyze performance in recent years. The limited performance history shows strong performance with very low delinquency levels around 2% to 4% at the peak, declining to less than 1% within 12 months;" and
- "PACE delinquency metrics are lower than general aggregate property tax and single-family residential only property tax delinquency levels. PACE also shows consistent performance and very low volatility across tax years"



"Residential PACE Delinquency Trends," DBRS (2018)

R-PACE Performance

PACENation
Building the clean energy economy

An independent 2018 KBRA analysis of R-PACE delinquency data reported:

- "There is no significant difference in the rates of property tax delinquency for residential properties with a PACE assessment compared to residential properties without a PACE assessment," and
- KBRA "believes the concern regarding foreclosure on a property initiated by a PACE lienholder may be overstated."

KBRA KROLL BOND RATING AGENCY

THE PACE EVOLUTION

Structured Finance ABS Research

Since its introduction to the asset-backed securitization (ABS) market in 2014, residential Property Assessed Clean Energy (PACE) has garnered significant attention, both positive and negative, from investors, regulators, journalists, PACE customers, the housing industry, Government Sponsored Entities (GSEs), and Congress. Much of the attention centers on the unique asset-specific qualities of PACE, including its lien priority relative to the lien position of a mortgagee on a property, and the associated underwriting by PACE originators, which initially focused primarily on underlying property value. Over the last few years, PACE originators have incorporated additional criteria to augment the industry's underwriting practices. The PACE sector has evolved and Kroll Bond Rating Agency (KBRA) believes that some of the perceived risks associated with residential PACE ABS have been muted while others remain unchanged. This report addresses the current state of the residential PACE ABS market and how the credit strengths and risks of this asset class have evolved over time. To date, KBRA has rated the senior tranche of every public residential PACE ABS transaction (22 issuances) 'AA (sf)' or 'AA+ (sf)'.

The Growth

Introduced in 2008 in Berkeley, California, PACE provides 100% financing for renewable energy, energy efficient or water conservation improvements to a property. Currently, more than two-thirds of the states in the U.S. and Washington, D.C. have passed legislation allowing local governments to create PACE programs. The types of installations that are eligible for PACE financing vary by jurisdiction. For instance, seismic retrofits and storm hardening products are eligible for PACE financing in certain jurisdictions. Unlike other ABS asset classes, the underlying collateral in a PACE transaction is not a loan or a lease but rather a voluntary tax lien (an assessment) authorized by the residential or commercial property owner to finance the improvements. Since a PACE assessment is a voluntary tax lien and not a loan or lease, it has several distinctive features that are atypical for consumer-based assets:

- Underwriting criteria primarily focus on the value of the property;[1]
- PACE assessment stays with the property during tenor of the assessment contract i.e., in the event the property is sold the obligation to pay under a PACE assessment contract transfers to the subsequent property owner;
- Principal balance of a PACE assessment is not accelerated in the event of a payment default by the property owner i.e., the only amounts due as an outstanding tax liability in the event the property is sold at a foreclosure sale are the payments in arrears; and
- The lien associated with a PACE assessment has priority over any lien(s) held by any mortgagee(s).

From the start these features made PACE an attractive asset class for the ABS market. KBRA views the low lien-to-values (LTVs), PACE lien priority and lack of acceleration upon default as significant mitigating factors against a potential downturn in the collection of the property taxes where the properties with PACE assessments on them are located.

[1] In some states, the property owner's ability to pay is also considered during underwriting of a PACE assessment.

www.kbra.com
June 22, 2018 | Page 1

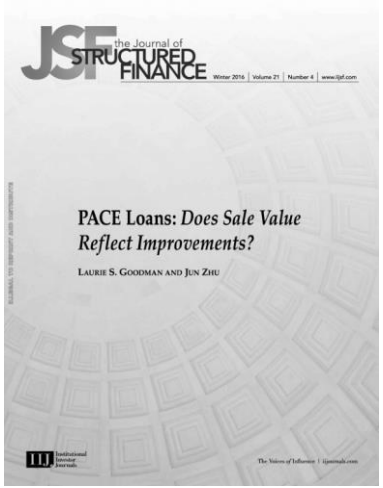
"The PACE Evolution," KBRA (2018)

R-PACE Performance

PACENation
Building the clean energy economy

A 2016 Journal of Structured Finance study found PACE had a positive impact on home resale price:

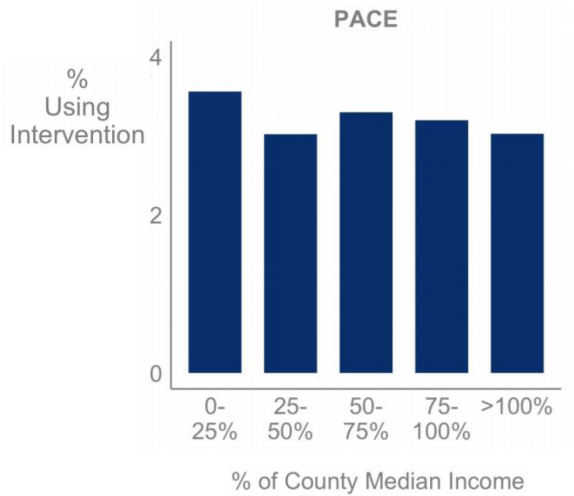
- PACE had a net positive impact "on the resale value of the home, which ranges from $199 to $8,882."
- The research also found that "the PACE effect on foreclosed properties is on the higher end of that range: There is nearly a $7,000 premium for homes purchased from foreclosure that subsequently receive a PACE-financed improvement."



"PACE Loans: Does Sale Value Reflect Improvements?", The Journal of Structured Finance, Winter 2016, Volume 21, Number 4.

R-PACE and Equity

A 2020 Lawrence Berkeley Lab Study found that R-PACE is one of three policies that increased the equitable adoption of rooftop solar.



"Three of the five interventions are associated with more equitable PV adoption: LMI-targeted incentives, leasing, and property-assessed financing."

"The interventions increase adoption equity in existing markets (deepening the market) and also push PV deployment into underserved low-income communities (broadening the market)."

"The impact of policies and business models on income equity in rooftop solar adoption," Lawrence Berkeley National Laboratory (2020)